SONY CORP
Form 6-K
July 24, 2003
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of July 2003

SONY CORPORATION

(Translation of registrant s name into English)

7-35 KITASHINAGAWA 6-CHOME, SHINAGAWA-KU, TOKYO, JAPAN

(Address of principal executive offices)

The registrant files annual reports under cover of Form 20-F.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SONY CORPORATION
(Registrant)

By: /s/ TERUHISA TOKUNAKA

(Signature)

Teruhisa Tokunaka

Executive Deputy President and

Group Chief Strategy Officer

Date: July 24, 2003

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List of materials

Documents attached hereto:

i) A press release regarding Sony Corporation s consolidated financial results for the first quarter ended June 30, 2003

ii) A press release regarding Sony Communication Network Corporation s consolidated financial results for the first quarter ended June 30, 2003

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SONY

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Shinagawa-ku

Tokyo 141-0001 Japan

News & Information

Consolidated Financial Results for the First Quarter ended June 30, 2003

No: 03-031E

3:00 P.M. JST, July 24, 2003

Significant Improvement Was Made Over the Fourth Quarter

Despite Decreased Sales and Profit Year on Year

Tokyo, July 24, 2003 Sony Corporation announced today its consolidated results for the first quarter ended June 30, 2003 (April 1, 2003 to June 30, 2003).

Highlights

Consolidated sales were ¥1,603.8 billion ($13.4 billion), a decrease of 6.9% compared with the same quarter of the previous year. Operating income decreased ¥35.2 billion to ¥16.7 billion ($139 million). Net income was ¥1.1 billion ($9 million), a decrease of ¥56.1 billion. In the fourth quarter ended March 31, 2003, operating loss was ¥116.5 billion, and net loss was ¥111.1 billion.

Sales in the Electronics segment decreased 9.8% primarily due to a decrease in sales of the Televisions category resulting from a contraction of the market for CRT televisions. Increased competition put downward pressure on prices in all categories, especially the Televisions and Video categories, resulting in a ¥36.3 billion decrease in operating income to ¥12.8 billion ($107 million).

In the Game segment, a decrease in both hardware and software sales brought about an 18.2% decrease in overall sales. Reflecting a proactive increase in research and development expenses for semiconductors in anticipation of future businesses, operating income decreased ¥0.8 billion to ¥1.8 billion ($15 million).

Due to a decline in sales at the U.S.-based subsidiary resulting from continued market contraction, sales in the Music segment decreased 8.8%. However, operating loss decreased ¥4.0 billion due to an increase in sales at the Japan-based subsidiary and the benefit of restructuring at the U.S.-based subsidiary.

Sales decreased 13.0% in the Pictures segment due to a decrease in theatrical revenues compared with the same quarter of the previous year in which the record-breaking film, *Spider-Man*, was released and contributed significantly to sales. Operating performance declined ¥11.7 billion from the operating income recorded in the same quarter of the previous year, resulting in an operating loss of ¥2.4 billion ($20 million).

Financial Services segment revenue increased 16.3% and operating income increased ¥3.2 billion to ¥14.0 billion ($117 million) due to improvements in valuation gains and losses from investments and increased insurance revenue at Sony Life Insurance Co., Ltd.

A one-time gain of ¥7.7 billion ($64 million) was recorded on the sale of rights related to a portion of the Sony Credit Card portfolio in the U.S. Consequently, operating performance in the Other segment improved ¥10.0 billion to a ¥4.0 billion ($33 million) operating income, from an operating loss in the same quarter of the previous year.

(Billions of yen, millions of U.S. dollars, except per share amounts)

	First quarter ended June 30			
	2002	**2003**	Change	**2003***
Sales and operating revenue	¥ 1,721.8	**¥ 1,603.8**	-6.9%	**$ 13,365**
Operating income	51.9	**16.7**	-67.9	**139**
Income before income taxes	116.6	**35.8**	-69.3	**298**
Net income	57.2	**1.1**	-98.0	**9**
Net income per share of common stock				
Basic	¥ 62.23	**¥ 1.24**	-98.0%	**$ 0.01**
Diluted	57.90	**1.24**	-97.9	**0.01**

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120=U.S.$1, the approximate Tokyo foreign exchange market rate as of June 30, 2003.

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Remarks by Nobuyuki Idei, Chairman and Group CEO of Sony Corporation

During the first quarter ended June 30, 2003, Sony began preparations to implement our restructuring plan and growth strategy while, at the same time, improving the competitiveness of our products, primarily in the Electronics segment. Although consolidated financial results during the quarter were weaker than those achieved in the same quarter of the previous year, they improved significantly compared to the fourth quarter ended March 31, 2003, in which a loss was recorded.

In the third quarter of this fiscal year, we will begin implementation, in earnest, of the restructuring plan we outlined at our Corporate Strategy Meeting this May. At the same time, to further enhance management s control of operations, we have constructed a system in the Electronics segment whereby sales are reported on a daily basis and inventory is reported on a weekly basis. In addition, we are planning to introduce, in the second half of the fiscal year, a variety of exciting electronics products built using proprietary technology and components.

Through these measures, Sony is working to improve profitability in advance of 2006, the 60th anniversary of our founding.

Consolidated Results for the First Quarter ended June 30, 2003

Unless otherwise specified, all amounts are on a U.S. GAAP basis.

Sales were ¥1,603.8 billion ($13.4 billion), a decrease of 6.9% compared with the same quarter of the previous year (5% decrease on a local currency basis for all references herein to results on a local currency basis, see Note I on page 10).

Sales to outside customers in the Electronics segment declined ¥79.4 billion, or 7.0%, in the Game segment ¥29.2 billion, or 19.5%, in the Pictures segment ¥22.5 billion, or 13.0%, and in the Music segment ¥9.9 billion, or 8.9%.

Sales to outside customers in the Financial Services segment increased ¥21.1 billion, or 17.3%.

Operating income was ¥16.7 billion ($139 million), a decrease of ¥35.2 billion, or 67.9%, compared with the same quarter of the previous year (89% decrease on a local currency basis).

Principal business segments having a negative effect on the change in operating income:

→ The Electronics segment, in which operating income decreased ¥36.3 billion.

→

The Pictures segment, in which operating performance declined ¥11.7 billion. An operating loss was recorded in the current quarter compared with operating income in the same quarter of the previous year.

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Business segments having a positive effect on the change in operating income:

→ The Music segment, in which operating loss decreased ¥4.0 billion.

→ The Financial Services segment, in which operating income increased ¥3.2 billion.

→ The Other segment, in which operating performance increased ¥10.0 billion. Operating income was recorded in the current quarter compared with an operating loss in the same quarter of the previous year.

Selling, general and administrative expenses decreased ¥13.1 billion mainly due to a decrease in severance-related expenses, caused by the recording of severance-related expenses at Aiwa Co. Ltd. (Aiwa) in the same quarter of the previous year, and a decrease in after-service expenses in the current quarter (see Note IV on page 10 regarding Aiwa).

Restructuring charges for the current quarter amounted to ¥6.5 billion ($54 million) compared to ¥16.6 billion in the same quarter of the previous year.

→ On a business segment basis, the most significant charges were recorded in the Electronics segment, ¥4.6 billion ($38 million) compared to ¥12.0 billion in the same quarter of the previous year, and in the Music segment, ¥1.3 billion ($10.8 million) compared to¥2.9 billion in the same quarter of the previous year.

Income before income taxes was ¥35.8 billion ($298 million), a decrease of ¥80.9 billion, or 69.3%, compared with the same quarter of the previous year.

In addition to the decrease in operating income, other income decreased ¥55.4 billion.

→ The primary factor contributing to the decrease in other income was the recording of a ¥66.5 billion gain in the same quarter of the previous year on the sale of Sony s equity interest in Telemundo Communications Group, Inc. and its subsidiaries (Telemundo), a U.S.-based Spanish language television network and station group, which had been an equity affiliate of Sony.

~ Sony deferred ¥6.0 billion ($50 million) of the gain on this transactiondue to an agreement to reimburse the purchaser against certain losses and claims as stipulated in the agreement. In the current quarter, this deferred gain was recorded becausetheagreement expired without any claims being made.

→ The net foreign exchange loss in the current quarter was ¥0.9 billion ($7 million), compared to a net gain of ¥5.7 billion in the same quarter of the previous year.

On the other hand, a ¥9.7 billion decrease in other expenses, principally caused by a ¥11.0 billion decrease in loss on the devaluation of securities investments, partially offset the decrease in income before income taxes.

Net income was ¥1.1 billion ($9 million), a decrease of ¥56.1 billion, or 98.0%, compared with the same quarter of the previous year.

In addition to the decrease in income before income taxes, the following factors negatively affected net income:

→ Minority interest in the loss of consolidated subsidiaries decreased ¥2.1 billion.

~ In the same quarter of the previous year, a ¥2.4 billion minority interest in the loss of Aiwa was recorded.

→ Equity in net losses of affiliated companies increased ¥1.3 billion.

~ Losses increased at Sony Ericsson Mobile Communications (SEMC), a mobile handset joint venture in which Sony has a 50% equity holding (see below).

Income tax decreased by ¥28.2 billion due to the decrease in income before income taxes. However, the effective tax rate increased to 71% from 46% in the same quarter of the previous year.

→ Reason for the increase in the effective tax rate:

~ Sony recorded additional valuation allowances related to certain foreign tax credits and other deferred tax assets.

<u>SEMC performance for the quarter ended June 30, 2003</u>

Sales of mobile handsets:	6.7 million units (an increase of 1.7 million units)
Net sales:	1,125 million euro (an increase of 18.4%)
Loss before tax:	102 million euro (a deterioration of 4 million euro)
Net loss:	88 million euro (a deterioration of 5 million euro)
	→ In the current quarter, SEMC recorded 58 million euro of restructuring charges resulting from the withdrawal from the U.S. CDMA market and the closure of a GSM research facility in Munich, Germany.
Sony s equity in net loss:	¥5.8 billion ($48 million)

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Operating Performance Highlights by Business Segment

Electronics

	(Billions of yen, millions of U.S. dollars) First quarter ended June 30			
	2002	**2003**	Change	**2003**
Sales and operating revenue	¥ 1,218.9	**¥ 1,099.8**	-9.8%	**$ 9,165**
Operating income	49.1	**12.8**	-73.9	**107**

Unless otherwise specified, all amounts are on a U.S. GAAP basis.

Sales were ¥1,099.8 billion ($9,165 million), a decrease of 9.8% compared with the same quarter of the previous year (9% decrease on a local currency basis).

In particular, sales of the Televisions and Information and Communications categories declined[1]. Sales of Televisions declined because sales of CRT televisions decreased due to both the absence of the positive effect on demand of the 2002 soccer World Cup and the shift in demand towards flat panel TVs. In Information and Communications , sales of VAIO PCs decreased because unit sales declined due to a strategic reduction in the product lineup.

Sales trends by product category (sales to outside customers):

→ Product categories with decreased sales: Televisions (¥34.1 billion or -15.5%), Information and Communications (¥33.4 billion or -15.1%), Audio (¥19.3 billion or -11.9%), and Other (¥12.6 billion or -9.7%).

→ Product categories with increased sales: Components (¥9.3 billion or +7.3%), Video (¥6.0 billion or +2.7%), and Semiconductors (¥4.7 billion or +9.7%).

[1]Commencing with the first quarter ended June 30, 2003, Sony has partly realigned its product category configuration in the Electronics segment. In accordance with this change, results for the same quarter of the previous year have been reclassified to conform to the presentations for the current quarter see page F-2.

Sales trends by product:

→ Products with the largest decreases in sales: CRT televisions, VAIO PCs, portable audio and home audio.

→ Products with the largest increases in sales: digital still cameras (Cybershot), cellular phones (sold to SEMC and others) and CCDs.

Sales trends by geographic area:

→ Sales decreased in the U.S., other areas and Japan. Sales increased in Europe. On a local currency basis, sales fell in all four geographic areas.

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Operating income was ¥12.8 billion ($107 million), a decrease of ¥36.3 billion, or 73.9%, compared with the same quarter of the previous year (87% decrease on a local currency basis).

The following factors contributed to the decrease in profitability:

→ In addition to the overall sales decrease, price declines contributed to a deterioration in the cost to sales ratio primarily in CRT televisions, digital still cameras and optical pickups.

The following factors partially offset the decline in profitability:

→ Selling, general and administrative expenses decreased due to the absence of charges incurred to restructure Aiwa in the same quarter of the previous year.

→ The positive impact of the depreciation of the yen against the euro exceeded the negative impact of the appreciation of the yen against the U.S. dollar.

Product categories information:

→ Categories recording declines in operating income:

~ Televisions , in which mainly sales of CRT televisions declined, recorded an operating loss compared to the operating income recorded in the same quarter of the previous year.

~ The profitability of Video declined mainly due to the decrease in profitability of digital still cameras and home-use video cameras, which resulted from price declines and increased patent-related expenses.

~ The profitability of Audio declined due to market shrinkage and price deterioration.

~ In the current quarter Semiconductors recorded an operating loss compared to operating income recorded in the same quarter of the previous year because production capacity was increased resulting in increased depreciation expenses.

~ Information and Communications recorded an operating loss in the current quarter compared to an operating income in the same quarter of the previous year because the profitability of personal digital assistants (CLIE) deteriorated due to unit price declines in the U.S., its major market.

~ Although the operating performance of DVD drives and batteries was robust, profitability of Components declined due to price deterioration as a result of intensified competition resulting in decreased profitability of optical pickups.

→ Categories recording improvements in operating income:

~ Losses decreased in Other , in which Aiwa recorded restructuring charges in the same quarter of the previous year.

Inventory on June 30, 2003 was ¥526.1 billion ($4,384 million), a ¥50.1 billion, or 8.7%, decrease compared with the level on June 30, 2002, and a ¥93.7 billion, or 21.7%, increase compared with the level on March 31, 2003.

Game

	(Billions of yen, millions of U.S. dollars) First quarter ended June 30			
	2002	**2003**	Change	**2003**
Sales and operating revenue	¥ 153.2	**¥ 125.2**	-18.2%	**$ 1,044**
Operating income	2.6	**1.8**	-31.6	**15**

Unless otherwise specified, all amounts are on a U.S. GAAP basis.

Sales were ¥125.2 billion ($1,044 million), a decrease of 18.2 % compared with the same quarter of the previous year (19% decrease on a local currency basis).

Both hardware and software sales decreased compared with the same quarter of the previous year.

→ With respect to hardware, sales revenue in the U.S. declined as a result of a decrease in unit sales of PlayStation 2 hardware, which occurred because unit sales increased during the same quarter of the previous year following a reduction in unit price. In Europe, price reductions of PlayStation 2 hardware led to a decrease in hardware sales revenue. On the other hand, sales revenue in Japan increased due to an increase in hardware unit sales resulting from the release of a new model of PlayStation 2.

→ With respect to software, sales revenue in Japan and the U.S. decreased due to a decrease in unit sales of software, although sales revenue in Europe increased due to the positive impact of the depreciation of the yen against the euro and an increase in unit sales of software developed by third parties.

~ Unit sales of software for PlayStation decreased while those for PlayStation 2 increased.

Worldwide hardware production shipments[2]:

→ PS 2: 2.65 million units (a decrease of 1.94 million units)

→ PS one: 0.83 million units (an increase of 0.16 million units)

Worldwide software production shipments[2]:

→ PS 2: 31.00 million units (an increase of 400 million units)

→ PlayStation: 8.00 million units (a decrease of 5.00 million units)

[2]Production shipment units of hardware and software are counted upon shipment of the products from manufacturing bases. Sales of such products are recognized when the products are delivered to customers.

Operating income was ¥1.8 billion ($15 million), a decrease of ¥0.8 billion, or 31.6%, compared with the same quarter of the previous year.

Operating income decreased due to an increase in research and development expenses for semiconductors in anticipation of future businesses. Partially offsetting these increased expenses were continued reductions in hardware manufacturing costs and the contribution to profit of an increase in unit sales of PlayStation 2 software, in addition to the positive impact of the deterioration of the yen against the euro.

Inventory on June 30, 2003 was ¥145.0 billion ($1,208 million), a ¥4.7 billion, or 3.1%, decrease compared with the level on June 30, 2002 and a ¥1.6 billion, or 1.1%, increase compared with the level on March 31, 2003.

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Music

	(Billions of yen, millions of U.S. dollars)			
	First Quarter ended June 30			
	2002	**2003**	Change	2003
Sales and operating revenue	¥ 128.3	**¥ 117.0**	-8.8%	$ 975
Operating loss	(10.0)	**(6.0)**		(50)

The amounts presented above are the sum of the yen-translated results of Sony Music Entertainment Inc. (SMEI), a U.S.- based operation which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis, and the results of Sony Music Entertainment (Japan) Inc. (SMEJ), a Japan-based operation which aggregates results in yen. Management analyzes the results of SMEI in U.S. dollars, so discussion of certain portions of its results are specified as being on a U.S. dollar basis.

Sales were ¥117.0 billion ($975 million), a decrease of 8.8% compared with the same quarter of the previous year (4% decrease on a local currency basis). Of the Music segment s sales, 73% were generated by SMEI and 27% were generated by SMEJ.

SMEI s sales (on a U.S. dollar basis) decreased 8%.

→ Album sales decreased in many regions worldwide due to the continued contraction of the global music industry brought on by piracy, unauthorized file sharing and CD burning as well as increased competition from other entertainment sectors.

→ Disc manufacturing revenues decreased primarily due to a decline in the unit price of DVDs.

→ Best selling albums included Beyonce s *Dangerously in Love*, Evanescence s *Fallen* and Ricky Martin s *Almas del Silencio*.

SMEJ s sales increased 11%.

→ Despite further contraction of the music industry in Japan, the contribution of several hit releases led to an increase in music sales at SMEJ.

→ The title that contributed the most to sales was Chemistry s *Between the Lines*.

In terms of profitability, an operating loss of ¥6.0 billion ($50 million) was recorded compared with an operating loss of ¥10.0 billion in the same quarter of the previous year, an improvement of ¥4.0 billion year on year.

SMEI recorded an operating loss, primarily due to the album sales decline, but the amount of operating loss decreased on a U.S. dollar basis.

→ Benefits were realized from aggressive restructuring implemented during the previous year.

~ Restructuring during the previous year included consolidation of various support functions as well as rationalization of manufacturing and distribution functions and facilities.

→ Advertising and promotion expenses were reduced compared with the same quarter of the previous year.

→ Restructuring expenses decreased compared with the same quarter of the previous year.

→ Partially offsetting the reduction in operating loss was a decrease in income from SMEI s disc manufacturing operations due to the price decrease discussed above.

SMEJ recorded operating income compared to an operating loss in the same quarter of the previous year.

→ Sales increased and selling, general and administrative expenses, particularly personnel-related expenses and advertising and promotion expenses, were reduced.

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Pictures

	(Billions of yen, millions of U.S. dollars) First Quarter ended June 30			
	2002	**2003**	Change	**2003**
Sales and operating revenue	¥ 173.6	**¥ 151.1**	-13.0%	**$ 1,259**
Operating income (loss)	9.3	**(2.4)**		**(20)**

The results presented above are a yen-translation of the results of Sony Pictures Entertainment (SPE), a U.S.-based operation which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis. Management analyzes the results of SPE in U.S. dollars, so discussion of certain portions of its results are specified as being on a U.S. dollar basis.

Sales were ¥151.1 billion ($1,259 million), a decrease of 13.0% compared with the same quarter of the previous year (7% decrease on a U.S. dollar basis).

The reasons for the decrease in sales (on a U.S. dollar basis) were:

→ A decrease in theatrical revenues as compared with the same quarter of the previous year in which the record-breaking film, *Spider-Man*, was released and contributed significantly to sales.

  ~ Notable theatrical releases during the current quarter included *Anger Management* and *Daddy Day Care*.

→ A decrease in home entertainment revenues.

  ~ Lower sales of SPE titles were recorded compared to the same quarter of the previous year.

  ~ Rights to distribute certain third party DVD titles outside of the U.S. gradually expired.

Partially offsetting the decrease in sales was:

→ An increase in television revenues primarily due to the extension of an agreement to provide *Seinfeld*, an SPE-distributed television program, to a U.S. cable network.

In terms of profitability, an operating loss of ¥2.4 billion ($20 million) was recorded compared with operating income of ¥9.3 billion in the same quarter of the previous year, a decrease of ¥11.7 billion year on year.

Reasons for the decline in profit performance (on a U.S. dollar basis) were:

→ The decrease in sales discussed above.

→ The disappointing theatrical performance of *Hollywood Homicide* released in the current quarter.

→ An increase in advertising and promotion expenses, which included expenses for the June 27, 2003 U.S. theatrical release of *Charlie s Angels: Full Throttle*.

Partially offsetting the decline in profit performance were:

→ The increase in television revenues discussed above.

→ A provision in the same quarter of the previous year with respect to previously recorded income from KirchMedia. No similar provision was recorded this year.

~ KirchMedia is an insolvent licensee in Germany of SPE s film and television product.

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Financial Services

	(Billions of yen, millions of U.S. dollars) First quarter ended June 30			
	2002	**2003**	Change	**2003**
Financial Services revenue	¥ 128.7	**¥ 149.6**	+16.3%	**$ 1,247**
Operating income	10.8	**14.0**	+29.7	**117**

Unless otherwise specified, all amounts are on a U.S. GAAP basis.

Financial Services revenue was ¥149.6 billion ($1,247 million), an increase of 16.3% compared with the same quarter of the previous year.

Revenue increased primarily due to an increase in revenue at Sony Life Insurance Co., Ltd. (Sony Life). At Sony Life, revenue increased by ¥18.3 billion, or 16.3%, to ¥130.4 billion ($1,087 million)[3].

→ Valuation gains and losses from investment in the separate account and the general account improved.

~ Valuation gains and losses from investments in the separate account accrue directly to the account of policyholders and, therefore, do not affect operating income.

→ Insurance revenue increased due to an increase in insurance-in-force.

Operating income increased by ¥3.2 billion, or 29.7%, to ¥14.0 billion ($117 million) compared with the same quarter of the previous year.

Operating income increased primarily due to a ¥2.5 billion, or 21.0%, increase in the operating income of Sony Life to ¥14.3 billion ($119 million)[3]. Operating income at Sony Life increased due to the improvement in valuation gains and losses from investments in the general account and the increase in insurance revenue.

[3] The Financial Services revenue and operating income at Sony Life are calculated on a U.S. GAAP basis. Therefore, they differ from the results that Sony Life discloses on a Japanese statutory basis.

Other

(Billions of yen, millions of U.S. dollars)

First Quarter ended June 30

	2002	**2003**	Change	**2003**
Sales and operating revenue	¥ 67.5	**¥ 75.7**	+12.1%	**$ 631**
Operating income (loss)	(6.0)	**4.0**		**33**

Unless otherwise specified, all amounts are on a U.S. GAAP basis.

Sales were ¥75.7 billion ($631 million), a 12.1% increase compared with the same quarter of the previous year. Of sales in the Other segment, 54% were sales to outside customers.

A business which provides information system services to other businesses within Sony Group recorded increased sales.

In terms of profitability, operating income of ¥4.0 billion ($33 million) was recorded compared with an operating loss of ¥6.0 billion in the same quarter of the previous year, an improvement of ¥10.0 billion.

A Network Application and Contents Service Sector (NACS) -related business operated by a U.S. subsidiary recorded a one-time gain of ¥7.7 billion ($64 million) on the sale of rights related to a portion of the Sony Credit Card portfolio.

In the same quarter of the previous year, an impairment loss for certain long-lived assets was recorded at a location-based entertainment business (consisting of retail operations and attraction-based entertainment) in the U.S., and severance-related expenses were recorded at an advertising agency business subsidiary in Japan.

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Cash Flow

The following charts show Sony s unaudited condensed statements of cash flow on a consolidated basis, on a consolidated basis for all segments excluding the Financial Services segment, and for the Financial Services segment alone. These separate condensed presentations are not required under U.S. GAAP, which is used in Sony s consolidated financial statements. However, because the Financial Services segment is different in nature from Sony s other segments, Sony believes that these presentations may be useful in understanding and analyzing Sony s consolidated financial statements. Transactions between the Financial Services segment and all other segments excluding the Financial Services segment are eliminated in the consolidated figures shown below.

Cash Flow Consolidated

	(Billions of yen, millions of U.S. dollars) First Quarter ended June 30			
Cash flow	2002	**2003**	Change	**2003**
From operating activities	¥ 22.1	**¥ (72.2)**	¥ -94.3	**$ (601)**
From investing activities	(83.3)	**(129.5)**	-46.2	**(1,079)**
From financing activities	(39.1)	**152.5**	+191.5	**1,271**
Cash and cash equivalents as of June 30	561.0	**663.7**	+102.7	**5,531**

Refer to Cash Flow Consolidated (excluding Financial Services segment) and Cash Flow Financial Services below for an analysis of cash flows.

Cash Flow Consolidated (excluding Financial Services segment)

	(Billions of yen, millions of U.S. dollars) First Quarter ended June 30			
Cash flow	2002	**2003**	Change	**2003**
From operating activities	¥ (39.0)	**¥ (138.4)**	¥ -99.3	**$ (1,153)**
From investing activities	51.3	**(55.7)**	-107.0	**(464)**
From financing activities	(70.5)	**113.7**	+184.2	**947**
Cash and cash equivalents as of June 30	275.7	**357.9**	+82.2	**2,982**

During the quarter ended June 30, 2003, consolidated operating activities (excluding Financial Services segment) used ¥138.4 billion ($1,153 million), net, an increase of ¥99.3 billion year on year.

In the current quarter, although notes and accounts payable, trade increased in the Electronics segment, operating activities used more cash than they generated because of an increase in inventory in the Electronics segment. Both notes and accounts payable, trade and inventory are influenced by seasonal factors.

The net use of cash increased year on year because operating income in the Electronics and Pictures segments decreased, and there was an increase in notes and accounts receivable, trade, compared to a decrease in the same quarter of the previous year. While inventory also increased, it rose by a smaller amount than in the prior year thereby resulting in a smaller use of cash year on year.

Consolidated investing activities (excluding Financial Services segment) used ¥55.7 billion ($464 million), net. In the same quarter of the previous year investing activities generated ¥51.3 billion, net.

In the current quarter, ¥67.8 billion ($565 million) was used to purchase fixed assets, primarily for semiconductors in the Electronics segment.

Investing activities in the same quarter of the previous year generated cash due to the ¥88.4 billion of cash proceeds received on the sale of Telemundo.

Consolidated financing activities (excluding Financial Services segment) generated ¥113.7 billion ($947 million), net. In the previous year financing activities used ¥70.5 billion, net.

In the current quarter, short-term borrowings increased mainly due to the issuance of commercial paper for the purpose of raising working capital.

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Cash Flow   Financial Services segment

(Billions of yen, millions of U.S. dollars)

Cash flow	First Quarter ended June 30 2002	2003	Change	2003
From operating activities	¥ 61.3	**¥ 66.1**	¥ +4.8	**$ 551**
From investing activities	(125.2)	**(76.1)**	+49.1	**(634)**
From financing activities	22.0	**41.3**	+19.3	**344**
Cash and cash equivalents as of June 30	285.3	**305.8**	+20.5	**2,549**

During the quarter ended June 30, 2003, operating activities in the Financial Services segment generated ¥66.1 billion ($551 million), net, an increase of ¥4.8 billion year on year.

A ¥66.0 billion ($550 million) increase in future insurance policy benefits and other was recorded due to an increase in insurance-in-force.

Investing activities in the Financial Services segment used ¥76.1 billion ($634 million), net, a decrease of ¥49.1 billion year on year.

Payments for investments and advances, ¥254.9 billion ($2,124 million), exceeded proceeds from sales of securities investments, maturities of marketable securities and collections of advances, ¥194.8 billion ($1,623 million), reflecting the expansion of the financial services businesses.

Financing activities in the Financial Services segment generated ¥41.3 billion ($344 million), net, an increase of ¥19.3 billion year on year.

Deposits from customers in the banking business increased by ¥35.6 billion ($296 million).

Notes

Note I: During the first quarter ended June 30, 2003, the average value of the yen was ¥117.5 against the U.S. dollar and ¥133.1 against the euro, which was 7.3% higher against the U.S. dollar and 13.6% lower against the euro, compared with the average rate for the same quarter of the previous fiscal year. Operating results on a local currency basis described herein reflect sales and operating revenue (sales) and operating income obtained by applying the yen s average exchange rate in the same quarter of the previous fiscal year to local currency-denominated monthly sales, cost of sales, and selling, general and administrative expenses in the current quarter. Local currency basis results are not reflected in Sony s financial statements and are not measures conforming with Generally Accepted Accounting Principles in the U.S. (U.S. GAAP). In addition, Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that local currency basis results provide additional useful analytical information to investors regarding operating performance.

Note II: Sales and operating revenue in each business segment represents sales and operating revenue recorded before intersegment transactions are eliminated. Operating income in each business segment represents operating income recorded before intersegment transactions and unallocated corporate expenses are eliminated.

Note III: Commencing with the first quarter ended June 30, 2003, Sony has partly realigned its business segment configuration. Also, in NACS, expenses incurred in connection with the creation of a network platform business have been transferred out of the Other segment and reclassified as unallocated corporate expenses, because the expected future benefits of this business will be spread across the Sony Group. In accordance with this realignment, results for the first quarter of the previous fiscal year have been reclassified to conform to the presentation of the first quarter of the current fiscal year.

Note IV: On October 1, 2002, Sony implemented a share exchange as a result of which Aiwa became a wholly-owned subsidiary. On December 1, 2002, Sony absorbed Aiwa by merger.

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Outlook for the Fiscal Year ending March 31, 2004

There is no change in our forecast for the fiscal year, stated below.

		Change from previous year
Sales and operating revenue	¥7,400 billion	- 1%
Operating income	130 billion	- 30
Income before income taxes	130 billion	- 48
Net income	50 billion	- 57

Restructuring expenses of ¥140 billion are included in the above forecast.

Assumed exchange rates: approximately ¥115 to the U.S. dollar, approximately ¥125 to the euro.

We have increased our capital expenditure forecast by ¥40 billion to ¥350 billion primarily due to higher spending on replacement equipment and increases in semiconductor manufacturing capacity. Consequently, although depreciation and amortization is not expected to change, depreciation expenses for tangible assets are expected to increase by ¥10 billion to ¥280 billion.

Capital expenditures (additions to fixed assets)	¥350 billion	+34%
Depreciation and amortization[4]	390 billion	+11
(Depreciation expenses for tangible assets)	(280 billion)	(Flat)

[4]Including amortization of intangible assets and amortization of deferred insurance acquisition costs.

Cautionary Statement

Statements made in this release with respect to Sony s current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as believe, expect, plans, strategy, prospects, forecast, estimate, project, anticipate, may or mig similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management s assumptions and beliefs in light of the information currently available to it. Sony cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to (i) the global economic environment in which Sony operates, as well as the economic conditions in Sony s markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, euro, and other currencies in which Sony makes significant sales or in which Sony s assets and liabilities are denominated; (iii) Sony s ability to continue to design and develop and win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid development in technology, and subjective and changing consumer preferences (particularly in the Electronics, Game, Music and Pictures segments); (iv) Sony s ability to implement successfully personnel reduction and other business reorganization activities in its Electronics and Music segments, (v) Sony s ability to implement successfully its network strategy for its Electronics, Music, Pictures and Other segments and to develop and implement successful sales and distribution strategies in its Music and Pictures segments in light of the Internet and other technological developments; (vi) Sony s continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to correctly prioritize investments (particularly in the Electronics segment); and (vii) the success of Sony s joint ventures and alliances. Risks and uncertainties also include the impact of any future events with material unforeseen impacts.

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Business Segment Information (Unaudited)

	(Millions of yen, millions of U.S. dollars) Three months ended June 30			
Sales and operating revenue	2002	**2003**	Change	**2003**
Electronics				
Customers	¥ 1,126,720	**¥ 1,047,332**	-7.0%	**$ 8,728**
Intersegment	92,158	**52,502**		**437**
Total	1,218,878	**1,099,834**	-9.8	**9,165**
Game				
Customers	149,535	**120,332**	-19.5	**1,003**
Intersegment	3,644	**4,914**		**41**
Total	153,179	**125,246**	-18.2	**1,044**
Music				
Customers	111,171	**101,289**	-8.9	**844**
Intersegment	17,144	**15,711**		**131**
Total	128,315	**117,000**	-8.8	**975**
Pictures				
Customers	173,629	**151,131**	-13.0	**1,259**
Intersegment	0	**0**		**0**
Total	173,629	**151,131**	-13.0	**1,259**
Financial Services				
Customers	121,891	**142,969**	+17.3	**1,191**
Intersegment	6,819	**6,678**		**56**
Total	128,710	**149,647**	+16.3	**1,247**
Other				
Customers	38,860	**40,727**	+4.8	**340**
Intersegment	28,668	**34,950**		**291**
Total	67,528	**75,677**	+12.1	**631**
Elimination	(148,433)	**(114,755)**		**(956)**
Consolidated total	¥ 1,721,806	**¥ 1,603,780**	-6.9%	**$ 13,365**

Electronics intersegment amounts primarily consist of transactions with the Game business. Music intersegment amounts primarily consist of transactions with the Game and Pictures business. Other intersegment amounts primarily consist of transactions with the Electronics business.

Operating income (loss)	2002	**2003**	Change	**2003**
Electronics	¥ 49,126	**¥ 12,805**	-73.9%	**$ 107**
Game	2,573	**1,761**	-31.6	**15**
Music	(9,950)	**(5,990)**		**(50)**

Pictures	9,266	**(2,397)**		**(20)**
Financial Services	10,828	**14,047**	+29.7	**117**
Other	(5,974)	**3,992**		**33**
Total	55,869	**24,218**	-56.7	**202**
Corporate and elimination	(3,999)	**(7,546)**		**(63)**
Consolidated operating income	¥ 51,870	**¥ 16,672**	-67.9%	**$ 139**

Commencing with the first quarter ended June 30, 2003, Sony has partly realigned its business segment configuration. In the Network Application and Contents Service Sector (NACS), expenses incurred in connection with the creation of a network platform business have been transferred out of the Other segment and reclassified as unallocated corporate expenses, because the expected future benefits of this business will be spread across the Sony Group. In accordance with these realignments, results for the previous year have been reclassified to conform to the presentation for the current year.

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Electronics Sales and Operating Revenue to Customers by Product Category

	(Millions of yen, millions of U.S. dollars)			
	Three months ended June 30			
Sales and operating revenue	2002	**2003**	Change	**2003**
Audio	¥ 161,480	**¥ 142,227**	-11.9%	**$ 1,185**
Video	219,013	**224,986**	+2.7	